MUNICIPAL FINANCING CORPORATION OF SASKATCHEWAN

1991 ANNUAL REPORT

92-05660/

LETTER OF TRANSMITTAL

Regina, Saskatchewan
March 30, 1992

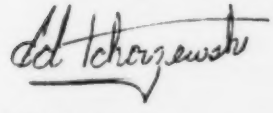
To Her Honour
The Honourable Sylvia O. Fedoruk, O.C., S.O.M.
Lieutenant Governor of the Province of Saskatchewan

Madam:

I have the honour to submit herewith the Annual Report of the Municipal Financing Corporation of Saskatchewan for the year ended December 31, 1991, in accordance with **The Municipal Financing Corporation Act**. The financial statements are in the form approved by the Treasury Board and have been duly certified by the Corporation's auditors.

I have the honour to be, Madam,

Your obedient servant,



Ed Tchorzewski
Minister of Finance
and Minister Responsible
Municipal Financing Corporation of Saskatchewan

MUNICIPAL FINANCING CORPORATION OF SASKATCHEWAN

BOARD OF DIRECTORS

Honourable Ed Tchorzewski
Chairman

Honourable Carol Carson

Honourable Darrel Cunningham

OFFICERS

Mr. W. D. Jones
General Manager

Mr. W. D. Baldwin
Assistant General Manager

Mr. J. L. Wright
Treasurer

Mr. D. F. Axtell
Secretary

MUNICIPAL FINANCING CORPORATION OF SASKATCHEWAN

HISTORY AND CURRENT HIGHLIGHTS - 1991

The Municipal Financing Corporation of Saskatchewan (the Corporation) was established to assist in making capital funds available for the financing of school, hospital and other essential construction and local improvement projects in cities, towns, villages and rural areas throughout the Province. The Corporation may borrow directly from private lending institutions or through the Department of Finance. The Corporation uses the funds borrowed to purchase a portion of the approved debentures sold each year by Saskatchewan local governments.

During 1991, the Corporation participated in the financing of 14 projects throughout Saskatchewan by purchasing $2.5 million of municipal debentures. At year end the Corporation had outstanding commitments to purchase a further $260 thousand upon delivery of the debentures. The Corporation recorded net earnings of $3.0 million for 1991, up $595 thousand from 1990 earnings. During 1991, $1.2 million of debentures were approved to finance sewer and water projects, and $1.5 million were approved to finance other local improvements.

The Corporation's debenture holdings at December 31, 1991 totalled $142.6 million, down $14.1 million from the total at December 31, 1990.

The Municipal Financing Corporation of Saskatchewan is administered by a Board of Directors through the use of staff and facilities provided by the Department of Finance and Crown Investments Corporation of Saskatchewan (CIC). The Corporation paid $22 thousand in 1991 for administration, which included reimbursement of the costs to CIC of providing administrative services, and also for audit fees. The Municipal Financing Corporation of Saskatchewan made no payments to the Department of Finance for administrative charges. The Directors do not receive fees and, with the exception of interest paid on borrowed funds, the Corporation had no other expenses in the current year. A table showing results of operations for 1991, as compared to the previous year, as well as a detailed listing of debenture purchases in the current year is presented on page 4.

MUNICIPAL FINANCING CORPORATION OF SASKATCHEWAN

COMPARATIVE TABLE OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31

	1991	1990
	(thousands of dollars)	
Amount of debentures approved by the Corporation (net of subsequent reductions)	$ 2,705	$ 17,424
Prior year's purchase commitments carried forward	20	3,069
Total purchase commitments for the year	2,725	20,493
Purchases completed	(2,465)	(20,473)
Purchase commitments outstanding at the year end	$ 260	$ 20

DEBENTURES PURCHASED IN 1991
(thousands of dollars)

Village of Abernethy	$ 20
Village of White City	260
Village of White City	34
Meadow Lake School Division No. 66	627
Town of Martensville	100
Village of Pense	57
Coronach Memorial Union Hospital	375
Town of Warman	105
Town of Southey	300
R.M. of Lajord No. 128	155
Town of Qu'Appelle	115
Town of Martensville	136
Town of Elstow	40
Town of Osler	141
	$ 2,465

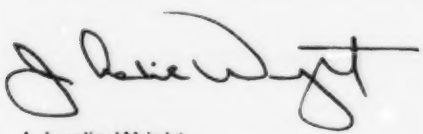
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Management has prepared the financial statements of the Municipal Financing Corporation of Saskatchewan in accordance with generally accepted accounting principles applied on a consistent basis with that of the previous year. The financial data included elsewhere in this report is consistent with the financial statements and the underlying information from which these financial statements were prepared.

Management has the primary responsibility for the integrity and objectivity of the financial statements. To fulfill this responsibility, the Corporation maintains appropriate systems of internal controls, policies and procedures to provide reasonable assurance that assets are safeguarded and that the books and records reflect the authorized transactions of the Corporation.

E.J.C. Dudley & Co., the Corporation's external auditors, have reviewed the systems of internal control and audited the financial statements in accordance with generally accepted auditing standards to enable them to express their opinion on the financial statements. Their report appears on the following page.

The financial statements have been examined and approved by the Board of Directors.



J. Leslie Wright
Treasurer

AUDITORS' REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the statement of financial position of the Municipal Financing Corporation of Saskatchewan as at December 31, 1991 and the statements of operations and reinvested earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1991 and the results of its operations and the changes in its cash resources for the year then ended in accordance with generally accepted accounting principles.

Regina, Canada
February 4, 1992

Chartered Accountants

MUNICIPAL FINANCING CORPORATION OF SASKATCHEWAN

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31

	1991	1990
	(thousands of dollars)	
ASSETS		
Current Assets		
Cash and short-term investments	$ 4,401	$ 113
Interest receivable	6,157	7,052
	10,558	7,165
Investments in municipal debentures, at amortized cost (Market value 1991 - $159,934; 1990 - $161,205)	142,597	156,737
Debt issue costs	16	112
	$ 153,171	$ 164,014
LIABILITIES AND PROVINCE'S EQUITY		
Current Liabilities		
Notes payable - Province of Saskatchewan	$ -	$ 31,100
Accounts payable and accrued liabilities	4,172	3,816
Debentures payable within one year	32,710	7,000
	36,882	41,916
Long-term debentures payable (Note 3)	99,667	108,489
Commitments (Note 4)		
Province of Saskatchewan's Equity		
Reinvested earnings	16,622	13,609
	$ 153,171	$ 164,014

(See accompanying notes)

MUNICIPAL FINANCING CORPORATION OF SASKATCHEWAN

STATEMENT OF OPERATIONS AND REINVESTED EARNINGS FOR THE YEAR ENDED DECEMBER 31

	1991	1990
	(thousands of dollars)	
Revenue		
Investment income - municipal debentures	$ 17,999	$ 18,675
Investment income - short-term investments and cash balances	288	136
	18,287	18,811
Expenses		
Interest on long-term debt	13,849	13,329
Interest on short-term debt	1,307	2,877
Amortization of debt issue costs	96	165
Administration	22	22
	15,274	16,393
Net earnings	3,013	2,418
Reinvested earnings, beginning of year	13,609	11,191
Reinvested earnings, end of year	$ 16,622	$ 13,609

(See accompanying notes)

MUNICIPAL FINANCING CORPORATION OF SASKATCHEWAN

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31

	1991	1990
	(thousands of dollars)	
Cash provided by (used in) operating activities		
Net earnings	$ 3,013	$ 2,418
Add non-cash items:		
Amortization of discounts and premiums	37	33
Amortization of debt issue costs	96	165
	3,146	2,616
Net change in non-cash working capital balances related to operations*	1,251	(1,484)
Cash provided by operating activities	4,397	1,132
Cash provided by (used in) investment activities		
Purchase of municipal debentures	(2,465)	(20,542)
Proceeds from maturing municipal debentures	16,568	13,995
Cash provided by (used in) investment activities	14,103	(6,547)
Cash provided by (used in) financing activities		
Additions to (repayment of) notes payable - Province of Saskatchewan	(31,100)	15,100
Additions to long-term debt	23,888	27,126
Repayment of long-term debt	(7,000)	(37,014)
Cash provided by (used in) financing activities	(14,212)	5,212
Net increase (decrease) in cash during the year	4,288	(203)
Cash and short-term investments, beginning of year	113	316
Cash and short-term investments, end of year	$ 4,401	$ 113

* Net change in non-cash working capital balances related to operations

(Increase) decrease in interest receivable	$ 895	$ (155)
Increase (decrease) in accounts payable	356	(1,329)
	$ 1,251	$ (1,484)

(See accompanying notes)

MUNICIPAL FINANCING CORPORATION OF SASKATCHEWAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1991

1. Significant Accounting Policies

The Corporation's accounting policies are in accordance with generally accepted accounting principles. The following are considered to be significant:

Short-term Investments

Short-term investments are carried at cost. This valuation approximates their quoted market value.

Investments in Municipal Debentures

Investments in municipal debentures are carried at amortized cost. The Corporation often purchases debentures at a premium or discount where the interest rate yield required by the Corporation varies from the coupon interest rate offered by the local governments. Premiums and discounts in excess of $250 on the investment's purchase date are amortized to income using the straight-line method over the life of the investment. In this way, effective income derived from each debenture is adjusted to equal the Corporation's required yield for that debenture to its maturity.

Debt Issue Costs

Debt issue costs are carried at cost less accumulated amortization to date. Debt issue costs are amortized on a straight-line basis over the life of the related debt.

2. Status of the Corporation

The Municipal Financing Corporation of Saskatchewan was established in 1969 pursuant to the provisions of **The Municipal Financing Corporation Act**.

The Corporation is a Provincial Crown corporation and therefore not subject to Federal or Provincial income tax.

3. Long-Term Debentures Payable

Maturity Date	Interest Rate (per cent)	1991 (thousands of dollars)	1990 (thousands of dollars)
April 1, 1991	9.875	-	$ 1,000
December 20, 1991	9.500	-	1,000
December 31, 1991	15.875	-	5,000

3. Long-Term Debentures Payable (continued)

Maturity Date	Interest Rate (per cent)	1991 (thousands of dollars)	1990 (thousands of dollars)
February 28, 1992	10.750	$ 26,710	$ 26,710
April 1, 1992	9.875	1,000	1,000
December 15, 1992	9.125	1,000	1,000
December 20, 1992	9.500	1,000	1,000
December 31, 1992	15.875	3,000	3,000
October 15, 1993	9.750	2,000	2,000
October 16, 1993	9.625	1,000	1,000
October 15, 1994	9.750	1,000	1,000
October 16, 1994	9.625	1,000	1,000
December 15, 1994	9.250	1,000	1,000
December 20, 1994	9.625	1,000	1,000
June 1, 1995	9.500	1,000	1,000
November 1, 1995	9.625	1,000	1,000
December 15, 1995	9.250	1,000	1,000
November 1, 1996	9.625	1,000	1,000
December 20, 1996	9.750	1,000	1,000
November 1, 1997	9.625	1,000	1,000
December 15, 1997	12.750	1,500	1,500
December 20, 1997	9.750	1,000	1,000
June 17, 1999	12.000	1,000	1,000
June 17, 2000	12.000	1,000	1,000
December 15, 2002	12.875	2,500	2,500
May 10, 2009*	10.170	24,053	24,053
June 5, 2009*	10.010	4,600	4,600
March 1, 2010*	9.780	10,855	10,855
April 2, 2010*	10.360	16,271	16,271
May 1, 2011*	9.810	23,888	-
		132,377	115,489
Repayment required within one year		(32,710)	(7,000)
Net long-term debentures payable		$ 99,667	$108,489

* Certain issues received from the Province of Saskatchewan in the amount of $79.667 million (1990 - $55.779 million) are subject to redemption on six months notice.

Principal payments due on long-term debt for the next five years are as follows (in thousands of dollars):

1992 - $32,710	1995 - $ 3,000
1993 - $ 3,000	1996 - $ 2,000
1994 - $ 4,000	

4. Commitments

Prior to December 31, 1991 the Board of Directors had approved the purchase of debentures from certain local governments of which $260 thousand were not purchased before the year end.

5. Comparative Figures

Certain of the prior year's figures have been reclassified to conform with the current year's presentation.

6. Related Party Transactions

Included in these financial statements are expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled departments, agencies and corporations with which the Corporation is related. Account balances resulting from these transactions are included in the statement of financial position and are settled on normal trade terms.

Other amounts due to related parties and the terms of settlement are described separately in the financial statements and the notes thereto.